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What Peace Can Mean To American Farmers

AGRICULTURAL POLICY

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U.S. DEPARTMENT OF AGRICULTURE

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FOREWORD

This fourth and last report of a series dealing with what peace can mean to American farmers is concerned with issues that will arise in the formulation of a long-range national farm program.

The first report of the series described economic conditions likely to be associated with full employment and different levels of unemployment in the years after the war and indicated probable effects of these different levels on the price and income position of farmers. The second and third reports discussed possible ways for maintaining full employment and expanding foreign trade. Of necessity, they concerned all phases of national and world economy rather than those of agriculture alone.

The fourth report deals with problems and possible solutions in the field of agriculture itself. Discussion of agricultural policy has been reserved till last so that it may be treated in perspective. The broader policies designed to keep the general economy running in high gear with full employment and high production will have a tremendous impact on agriculture. Interdependence of the various branches of the modern economy today is too well accepted to require demonstration. On the other hand, the interdependence is by no means so great that any action or set of actions that improves the well-being of one group will automatically bring comparable benefits to all other groups.

As the Nation moves out of its wartime economy, farmers and their representatives must decide what kind of peacetime agriculture and agricultural program they want. No general line of economic and social policy can obviate the need for specific programs in what generally is regarded as the field of agricultural policy.

This report was prepared under the leadership of H. R. Tolley by Bushrod W. Allin, Henry Jarrett, O. V. Wells, F. F. Elliott, James G. Maddox, Raymond C. Smith, and Willard W. Cochrane.

Clinton P. Anderson
Secretary of Agriculture.

NOTE: The four publications under the title *What Peace Can Mean to American Farmers* include the following which are identified not only by series numbers but also by subtitles:

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What Peace Can Mean to American Farmers

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INTRODUCTION

Earlier publications in this series emphasized the extent to which the well-being of farmers in the years ahead will depend upon levels of national employment and conditions of world trade. But they also made it clear that general economic and social measures cannot be expected to solve all of the problems of agriculture.

There is the question of demand for farm products, for example. The first report in the series weighed the total quantity that probably would be consumed under favorable conditions (full employment and active foreign trade, plus special efforts to increase consumption of farm products by low-income families) against the total quantity that farmers probably would produce. On the assumption that farmers will continue to increase their efficiency of production, farm production will certainly outrun consumption unless favorable conditions are maintained.

There is the question of conservation of soil and water resources. Neither favorable general economic conditions nor better farm incomes will in themselves be enough to meet that need fully.

There is the question of services and facilities available to farm people—factors other than cash income that add up to general levels of living. For many years the levels of rural education, medical care, communications, and other such services and facilities have averaged far below those of city people. Full national employment cannot be expected to close that gap; improved farm incomes could help, but by themselves they could not altogether close it.

Thus, as the earlier sections of that first report pointed out, even with full employment the special problems of agriculture, though manageable, would be considerable. To the extent that unemployment should develop, agriculture's problems would become larger and less manageable.

The function of any long-range program for agriculture must be to close the gaps that general economic measures cannot close.

This report is an attempt to chart the general direction of such a policy through setting forth the main problems and examining possible steps toward their solution.

Obviously, there will be no use in looking for any single, simple formula for meeting all of the situations that agriculture expects to face. Even apart from its complex interrelationship with the rest of the economy, agriculture itself embraces a wide variety of problems, ranging from those of the farmer whose prosperity depends on his commercial markets—perhaps world markets—to those of the farm families who themselves consume most of what they produce.

It is equally obvious, however, that all of the lines of action that may be deemed necessary must fit into one consistent over-all pattern. If full employment and production, for example, is to be the goal for the whole Nation, it would not make sense to attempt to curtail the employment of farmers through acreage allotments and production quotas. If efficient agricultural production is one of the objectives, it would not make sense to deliberately encourage high-cost farmers to continue inefficient operation. If the family farm is an objective, it would not make sense either to stack the cards in favor of larger units or do nothing about units of less than adequate family size.

No effective national agricultural policy can long contain conflicting lines of action that tend to cancel each other out. Even consistency at any given time is not enough. National farm policy cannot afford to cancel itself out through changing direction from one time to another. Naturally, farm programs should be kept flexible. During periods of deep unemployment, for instance, emphasis necessarily would shift; in some circumstances entirely new programs might be needed. But the general direction of farm policy should be unchanged. Emergency actions that worked away from long-range objectives instead of toward them would in the end prove futile and costly. From here on it will be assumed, without any further development, that what farmers and the rest of the Nation are seeking is a single farm policy that they can hold to in good times or bad.

The continuing objectives of national farm policy are discussed in the next section. The later discussion of leading problems is treated under two major headings—If There Is Full Employment, and If There Is Unemployment.

Many lines of action would be identical or similar under either set of conditions. These are discussed once and for all in the section dealing with conditions that could be expected under full employment. In the light of what happened after World War I, some readers may wonder whether such concentration upon full-employment conditions is realistic. Perhaps skepticism is justified; only time can tell. This report is in no sense a forecast. The assumptions necessarily are arbitrary, yet every effort has been made to link them as closely as possible to reality.

Decision to examine most of the leading farm-policy issues in the light of full employment is based on a belief that not only is Nationwide full employment a possibility, but there is a good chance that it will be attained.

This assumption is not bottomed on hope alone. National and world

conditions and patterns of thought were vastly different when World War II ended than when Germany collapsed in the fall of 1918. Policies pursued after the first war set the stage for a shrinking economy. In this country only a handful of people seemed aware of the fact that it is as important to consume as to produce. The great majority did not even realize that to sell goods to other nations you have to take goods from them. This Nation paid lip service to world cooperation but was disinclined to take its part in international affairs. How much this country's attitude contributed to the failure of the League of Nations and to the depressions and aggression that followed is by now an academic question. The important point is that, making allowance for waves of seeming prosperity (at least for some groups), events between the two World Wars were building up to the fear and insecurity, dwindling world commerce, and unemployment, of the latter part of the inter-war period. Individuals and nations chose to fight over their shares of diminishing markets rather than work together to make the markets themselves larger.

When World War II ended in August 1945, the tide was running in the opposite direction. A charter for a world organization had been framed. The United States had overwhelmingly gone on record for full participation not only in the organization itself, but in the world financial agreements framed at Bretton Woods and in the Food and Agriculture Organization initiated at Hot Springs. Extension of the Trade Agreements Act had opened the way to further tariff reductions. Strengthening of the Export-Import Bank had opened the way to further participation in world trade. On both a national and a world basis the spotlight was on the needs for better nutrition and improvements in other aspects of living, and on productive employment at adequate wages. In this country there was greater realization than at any previous time of the extent to which continuing prosperity depends upon full production and full consumption of useful goods and services.

It is for these reasons that the central body of this report is built around possibilities offered by full employment. But no one can say for certain how soon peacetime full employment can be obtained, nor whether in the future we shall be able to prevent temporary lapses from full employment. A separate section discusses the modifications in continuing programs and the additional programs that would be needed for agriculture in times of unemployment.

No separate sections have been devoted to agricultural research and education, but neither subject has been omitted through lack of appreciation of its importance. Technical and economic research, and effective machinery for putting the findings of research before farm people, both are foundation stones of any farm program. The purpose of this report, however, is to point up issues and suggest approaches, not to offer detailed recommendations as to how things should be done.

For the same reason, there is no separate treatment of agriculture's problems of transition from war to peace. Again, the question is not one of relative importance. Many of the problems of agricultural reconversion and the methods of their solution are most important. The solutions could be such as to head in the direction of desirable long-range farm policy, to head in an opposite direction, or not to head in any one direction at all. Insofar as possible the far-reaching actions

that must be taken during reconversion should promote the more lasting agricultural objectives.

It will be necessary to examine wartime farm programs and policies carefully. Some actual conflicts with long-range objectives already are apparent. It is generally agreed, for instance, that full participation by this country in an increased world trade must be one of our national objectives. Obviously, export-subsidy programs do not promote full world trade. This again is widely recognized. The export-subsidy programs have been referred to officially as stop-gaps, but if they are stop-gaps that run counter to the way in which we want to go, it will be necessary to remove or replace them as soon as possible.

The problems of reconversion will be met, in one fashion or another, soon. The exact methods of their solution frequently will involve details beyond the scope of this report. But the general principles by which the transition measures should be judged are identical with the longer range principles with which this report deals.

OBJECTIVES OF A LONG-RANGE FARM PROGRAM

The only way to judge programs adequately is to relate them to the ends they are designed to achieve. Consideration of possible agricultural programs, therefore, will have little meaning until this question is answered: What kind of agriculture does the Nation want?

In preparing this report it has been assumed that the people of this country in a general way already have made up their minds on this fundamental point, and that the kind of agriculture they want must (1) provide adequate supplies of farm and forest products and (2) offer farm people rewards that are on a par with those enjoyed by people of other groups who make comparable contributions to the general welfare.

Such broad aims that cover the whole field of agriculture are subject to varying interpretations. An attempt is made below to describe some of the principal points in more detail and at the same time remain within the presumed area of national agreement. Without doubt many readers will feel that subjects not mentioned could have been added or substituted. The listing is not in any sense definitive. It is included mainly for the purpose of showing as clearly as practicable what kind of yardstick is used later in the report for evaluating possible farm programs.

These are among the principal specific objectives assumed to be essential to a farm program in line with national needs and wishes:

1. *Adequate farm and forest production.*—With due allowance for the kinds and quantities of products that this country can import to better advantage than it can produce and that other countries can obtain from us to mutual advantage, achievement of the objective would mean that United States farmers would be producing the kinds and quantities of food necessary to provide every person in the country with a nutritionally adequate diet and to meet the additional demands of taste and preference. Production of fibers, forest products, and other nonfood agricultural products similarly would be geared to domestic requirements and foreign demand. Resources and manpower would not be wasted in production of kinds or quantities of commodities not needed.

2. *Parity of income for farmers.*—Farmers generally would receive incomes from farming that would enable farm families to maintain a level of living equivalent (with due allowance for variations in skill, effort, and investment) to that of persons in other occupations. This does not imply a national policy that would support in agriculture everyone who may choose to live on a farm. It does mean a national obligation to give farm families their fair share of national prosperity and to prevent their bearing more than a proportionate share of depression.

3. *Efficient production and distribution of farm products.*—In the larger sense the objective is a corollary of the first two. Among many other things it would involve the cultivation of the better grades of land. While considerable quantities of potentially good farm land either are not under cultivation or are not being operated so as to take full advantage of their possibilities, large numbers of farmers are wasting their efforts and barely eking out an existence on soils that are either too poor for farming under present technology or, as is more often the case, are organized into inadequate farm units. Reclamation of new land would be carried out as needed. But if there is unemployment, it would be the purpose of the national economic policy to prevent agriculture from becoming the dumping ground for industrial unemployed. Also, much remains to be done to market and transport farm products more efficiently.

4. *Parity of services and facilities for rural people.*—This objective refers not only to schools, roads, housing, rural electrification, health services, and recreational and cultural facilities but to other benefits made available through county, State, and Federal Governments, such as social security. To a certain degree the need for public action in reaching some of these aims would decrease as the cash income of farmers increased. But in almost every case some public action still would be needed; most of the services and facilities named are today vastly more accessible to urban than to rural families.

5. *Good tenure conditions, with special emphasis on the family farm.*—For everyone engaged in agriculture, whether he be owner, tenant, or laborer, the relationship to the land and to his fellow citizens should be such as to provide opportunity and stimulus for development and advancement. All possible encouragement should be given to development and preservation of family farms that are efficiently operated and capable of yielding a satisfactory level of living. (A family farm is one on which the operator devotes substantially full time to farming operations and can, with the help of other members of the family and the hiring of only a moderate amount of labor, make a satisfactory living for his family and maintain the farm plant.)

6. *Productive farm, range, and forest land.*—Farm land should be put to its most efficient use on a long-range basis. Forest and range land should be so handled as to produce continuously and abundantly. No stable rural culture can be maintained on eroded and impoverished land.

IF THERE IS FULL EMPLOYMENT

A farm program to achieve these objectives under a full-employment situation will have to include measures for dealing with three types of

major problems: (1) Problems of prices, production, and distribution, (2) conservation problems, and (3) problems relating to rural facilities and services. Such measures, moreover, will have different application to different types of farmers and to different regions.

Since according to 1939 Census figures about half of the farmers of this country produce nearly 90 percent of total agricultural production and more than 90 percent of what is sold or traded, it is obvious that even a perfect solution of price and marketing problems would be inadequate for dealing with the problems of the other half. This fact poses at once the question of what we mean by a "farm program." Does it mean primarily a program for dealing with the problems of the "commercial" farmers who produce most of the product? Or does it mean a program for all farm people? As considered here, it means a program for all farm people.

Soil conservation will continue to be a problem on most farms regardless of the general level of employment and business activity, but some of the measures appropriate for dealing with this problem on large-scale farms may be different from those needed on small farms. Rural facilities and services—such as roads, schools, hospitals, medical and dental services, electricity, housing, and social security—are generally inferior compared with similar types of services in urban areas, and some of them are especially poor or nonexistent so far as many of the so-called noncommercial farmers are concerned.

If a farm program is to aim at the well-being of all farm people, its application cannot be restricted to those who already produce the most and follow the best soil-management practices; and it will be concerned with prices, markets, and land only insofar as they affect human well-being. The necessity for a variety of approaches so as to deal with the problems of all farm people under a full-employment situation may be seen more clearly if each of the three major groups of problems is discussed separately.

PRICE, PRODUCTION, AND DISTRIBUTION PROBLEMS

As pointed out in the first report of this series, over-all domestic demand for food and other agricultural products will remain high if full employment is maintained. A high level of international trade is also in prospect under these conditions—and especially will this be likely if the whole world economy is stimulated by the added impetus expected from wider international collaboration. Average farm prices would be far above the level of the decade of the 1930's, even though they might be as much as 15 percent below the relative level prevailing in 1945. Agricultural production would remain high under the stimulus of these prices and of prospective technological developments.

But the maintenance of a full-employment situation would still leave important price and production problems for agriculture. These problems would vary greatly in intensity for producers of different commodities and for farmers of different regions. The prices at which most farm commodities would move into consumption would be three-fourths to nine-tenths of those which prevailed during the war, but one-third to two-thirds higher than the average for the prewar years 1935–39 (table 1).

Prices for some commodities, however, would remain nearer war-

time levels, because high purchasing power would enable people to continue taking large quantities of these products at good prices.

TABLE 1.—*Average farm prices for selected items, United States, 1935–39, 1943, 1945, and estimates for 1950 under full employment* [1]

Item	Unit	Average 1935–39	1943[2]	1945 (preliminary)[3]	1950	
					Estimated price[4]	Percentage of 1935–39
		Dollars	*Dollars*	*Dollars*	*Dollars*	*Percent*
Livestock and livestock products:						
Beef cattle	Cwt	6.51	11.90	12.25	10.25	157.4
Veal calves	Cwt	7.75	13.40	13.65	12.00	154.8
Lambs	Cwt	7.81	12.96	13.23	11.45	146.6
Hogs	Cwt	8.30	13.70	14.05	11.25	135.5
Eggs	Dozen	.21	.37	.38	.29	138.1
Chickens	Pound	.15	.24	.26	.20	133.3
Turkeys	Pound	.17	.33	.33	.26	152.9
Milk	Cwt	1.81	3.12	3.20	2.90	160.2
Wool	Pound	.24	.42	.41	.40	166.7
Crops:						
Corn	Bushel	.65	1.12	1.10	.90	138.5
Wheat	Bushel	.81	1.36	1.48	1.10	135.8
Rice	Bushel	.73	1.78	1.75	.85	116.4
Soybeans	Bushel	.87	1.82	2.11	1.70	195.4
Flaxseed	Bushel	1.65	2.83	2.90	2.25	136.4
Peanuts	Pound	.03	.07	.08	.05	166.7
Potatoes	Bushel	.70	1.31	1.61	1.00	142.9
Dry beans	Cwt	3.45	6.04	6.29	4.70	136.2
Oranges [5]	Box	1.17	2.58	2.68	2.10	179.5
Apples	Bushel	.79	2.39	2.71	1.60	202.5
Cotton lint	500-lb. bales	49.55	99.40	105.05	65.00	131.2
Cotton seed	Ton	25.27	52.10	52.29	45.00	178.1
Tobacco	Pound	.19	.40	.41	.34	178.9

[1] Table adapted from Misc. Pub. 562, p. 9, with revisions of 1943 figures and preliminary estimates for 1945.
[2] Weighted calendar-year average for livestock and livestock products and weighted season average for crops.
[3] Simple average of January-to-November monthly prices.
[4] The estimate of the general level of farm prices under full employment is definitely more dependable than the estimate for any particular commodity.
[5] Equivalent packinghouse-door returns.

NOTE.—Estimates for 1950 are based on assumptions described in the first report of this series; they are not forecasts.

On the other hand, the position of certain export crops and of those whose production was greatly expanded during the war (such as rice, peanuts, flaxseed, and dry beans and peas) would be somewhat less favorable. Domestic demand for cotton during most of the war period was limited only by mill capacity, large quantities of wheat were sold for feed at a considerable loss by the Commodity Credit Corporation, and both the internal demand for domestic fats and oils and the export demand for American rice were greatly expanded when supplies from the Pacific areas were cut off by the Japanese war. Such situations as these will create problems and as a general rule will call for either (1) a higher level of international trade than the return to prewar trends would indicate or (2) shifts in production that will put the greatest emphasis on commodities for which there is most demand.

Possible postwar production pattern.—The postwar agricultural production pattern as estimated for 1950 under full employment and without Government price supports would be markedly different from the pattern prevailing during the prewar period 1935–39, but rather well in line with that of the last 3 war years, 1943–45. This is shown by a comparison of the postwar full-employment estimates with aver-

ages for the prewar period 1935–39 and with data for the war years 1943 and 1945 (table 2).

TABLE 2.—*Production of major agricultural commodities, United States, averages 1935–39, 1943, 1945, and estimated production required in 1950 under full employment* [1]

Commodity	Unit	Average 1935–39	1943	1945 (preliminary)	1950	
					Estimated production	Percentage of 1935–39
						Percent
Livestock products:						
Beef and veal (dressed weight)	Million pounds	7,974	9,683	11,571	9,975	125
Lamb and mutton	Million pounds	871	1,104	1,018	1,010	116
Pork (excluding lard)	Million pounds	7,337	13,349	10,036	12,135	165
Eggs (number, farm—nonfarm)	Million dozen	3,335	4,972	5,050	4,330	130
Chickens (dressed weight)	Million pounds	2,325	3,804	3,550	3,600	155
Turkeys (dressed weight)	Million pounds	350	466	650	720	206
Dairy products (fluid milk equiv.)	Million pounds	103,656	117,687	122,526	128,400	124
Wool (grease basis)	Million pounds	425	450	390	465	109
Crops:						
Corn	Million bushels	2,316	3,034	3,018	2,875	124
Wheat	Million bushels	759	841	1,123	785	103
Rice	Million bushels	50	65	70	50	100
Soybeans	Million bushels	56	193	192	180	321
Flaxseed	Million bushels	11	52	37	25	227
Peanuts	Million pounds	1,229	2,185	2,080	1,820	148
Sugar (raw)	1,000 tons	1,948	1,496	1,800	2,160	111
Potatoes	Million bushels	359	465	425	350	97
Dry beans (cleaned)	1,000–100 lb. bags	13,606	19,354	12,313	15,200	112
Truck crops[2]	1,000 tons	14,533	16,493	18,820	19,200	132
All citrus fruit (fresh equiv.)	Million pounds	8,438	12,610	14,450	13,800	164
All other fruit (fresh equiv.)	Million pounds	18,198	16,070	17,062	20,350	112
Cotton lint	1,000 bales	13,149	11,427	9,195	13,500	103
Tobacco (farm weight)	Million pounds	1,460	1,406	2,042	2,127	146

[1] Table adapted from Misc. Pub. 562, p. 18, with revisions of 1943 figures and preliminary estimates for 1945.

[2] Including commercial for fresh-market shipment, commercial truck crops for processing, and market garden.

NOTE.—Estimates for 1950 are based on assumptions described in the first report of this series; they are not forecasts.

Substantial increases in the production of beef and veal, pork, eggs, chickens, dairy products, corn, oil crops, tobacco, citrus fruit, and all truck crops are indicated for 1950 as compared with 1935–39. However, almost all of these increases had been achieved by 1945 and in some cases exceeded. As a result, some adjustment will be required as agriculture changes from the wartime production pattern to one suitable to a full-employment postwar situation. Rather large decreases in the production of rice, flaxseed, peanuts, and potatoes will be required, but these are minor crops when measured in relation to total national farm income. In the case of livestock products, a further increase in dairy production will be needed as well as a moderate decrease in egg production. Also, as compared with 1945, a reduction in beef and veal and an increase in pork production will be required; but these two classes of meat are interchangeable to a considerable extent.

The estimated combined production of beef and pork for 1950 is not greatly different from the combined production of these two meats in 1943 and 1945. Production of wheat and cotton for 1950 would be about the same as prewar. Wheat production would be considerably less than during the war, but cotton production would be almost one-

third larger. These two commodities and the demand conditions surrounding them, however, are associated with two of the most difficult regional problems which American agriculture will have to face during the postwar period.

Regional differences.—The region most affected will be the cotton South. Cotton producers will be under pressure from two directions—competition of foreign growths and competition from synthetic fibers. When the Orient again contributes to the international market for rice, the export outlet for Southern farmers will be less favorable than during the war; and when the Tropics reach a peacetime level of exports for vegetable oils, demand for the peanut oil produced in the South will be somewhat less than during the war. Thus, if the present production pattern were continued, the income of Southern farmers would fall somewhat more than would the average farm income for the Nation as a whole. Already, average farm incomes in the South are far lower than in the rest of the country. It is likely that most cotton growers would regard a world price for cotton as too low. At the same time, it is also probable that a cotton crop of 13.5 million bales would not be disposed of unless cotton could be sold at world prices. The need for large-scale remedial action, therefore, is clear.

Another great agricultural region in which the farmers might have a special adjustment problem is the Great Plains. It is estimated that under a full-employment situation domestic and foreign consumers would take 785 million bushels of United States wheat at the world price, which might be equivalent to about $1.10 a bushel. Farmers might produce more, and the price then might be less than $1.10. A much smaller percentage of the wheat crop is exported than of the cotton crop, and it would therefore be easier to "insulate" the domestic market from the effects of the world market. But variations in total output due to uncontrollable weather conditions are much greater in the case of wheat than for cotton.

The Corn Belt, with its emphasis upon livestock production, would be least affected by necessary adjustments to peacetime full-employment conditions. Similarly, farmers in the southern Appalachians and in various cut-over regions would expect few reconversion problems, but they would still be faced with the continuing problem of underemployment even though full industrial employment is maintained and there is no net back-to-the-land movement to these areas. Every region, in fact, would have its special problems.

What are some of the ways that have been tried or proposed for dealing with the types of problems that will arise even under full employment?

Price supports and commodity payments.—In discussions of how to deal with the special problems that will confront many farmers (even under conditions of full employment and active international trade that would result in a general level of farm prices at about parity), price supports and commodity payments are the methods most frequently proposed. Those are the two approaches with which the Nation has had most experience during the war and in the decade preceding it. Farmers and others not only know that such methods will work (at least for limited periods in the pursuit of certain objectives); they also have learned a great deal about details of administer-

ing the loan and purchase programs that support prices above the market level, and programs for supporting incomes from individual commodities through payments that make up part or all of the difference between the market price and parity.

Yet it must be remembered that none of the farm price-support and commodity-payment measures used in recent years was developed as part of a peacetime farm program under full employment and with active international trade. In fact, the wartime programs were designed to meet a special set of emergency conditions, and the prewar programs were intended specifically to cope with the effects of varying degrees of domestic unemployment and stagnant world commerce.

Even under the unemployment conditions for which they were shaped in the prewar years, price supports and commodity payments were found to have distinct limitations, some of which are discussed in a later section, If There Is Unemployment. Here, only the applicability of such programs to a full employment peacetime situation will be considered.

If prices at or near parity (as now defined) continue to be the goal in the postwar period, no price supports or commodity payments would be needed for many commodities under conditions of full employment and high national income. But there would be other commodities for which market prices, even under the most favorable conditions, would be below parity so long as the volume coming to market approximated recent levels. Obviously, it would be those latter commodities for which special action would be needed.

The Government could purchase such products at higher-than-market prices, or offer nonrecourse loans at similar levels. Or it could make direct supplementary payments based on quantities produced by individual farmers. Any of these methods would support the incomes of farmers who produced the commodities in question. But also, any of these methods would tend to encourage farmers to keep on producing the very commodities that already were in excess of market demand. Farmers would not have any incentive and would receive no help in shifting part of their resources to the production of commodities for which the demand was relatively greater. With price goals at or near parity as now defined, these methods would tend to prevent the most economic use of resources. Continued production of certain commodities in quantities greater than could be sold at the support-price level would soon force the choice among: (1) Production control, (2) the accumulation of unmanageable stocks of storable commodities or the waste of perishable products, and (3) Government disposal at a loss.

Quite apart from their possible effects upon farm incomes, how would price supports and commodity payments square with a Nationwide program of full employment? Since full employment and high national income must rest on high production and consumption and the most efficient use of resources, programs that stood in the way either of full farm production, or of balanced production that gave most emphasis to products in greatest demand, would tend to interefere with the achievement and maintenance of a full-employment economy.

It therefore seems clear that under a national full-employment policy major reliance should not be placed upon the support of prices above the market or upon commodity payments as methods of protecting in-

comes of farmers who produce commodities that will face special difficulties. This is not to say, however, that there is no place for these methods in a long-range agricultural program geared to a national full-employment policy. There are special needs to which they are admirably fitted, provided the use of any inflexible historical base period in establishing price goals is abandoned.

Direct incentives that work more quickly than the regular play of market forces may be needed to encourage the production of some commodities and discourage the production of others. For example, special price or payment offers for the production of certain products might be needed temporarily if the country embarked on a full-scale program for adequate national nutrition. There may be times, too, when the process of shifting from one type of farm production to another is long and costly to producers and entails loss of income during the process. "Cushioning" commodity payments might well be provided during such periods. (This possibility is discussed in more detail in the following section, The Conversion Approach.) In years of high yields, nonrecourse loans probably will be the most effective way of obtaining adequate supplies for the Nation's ever-normal granary.

All operations of this kind would have the incidental effect of supporting prices or incomes for specific commodities. So long as the price effects remained incidental to the aims of the operations involving price supports or commodity payments, such programs would be consistent with a national full-employment program and could render real service to farmers without jeopardizing their long-range interests.

Also a special situation during the period of transition from war to peace must be taken into account. It concerns the price-support guarantees of the Steagall Amendment. If peacetime full employment should prevail during the life of the price guarantees, market prices might well keep returns for most commodities above the stipulated support level. But the prices of other commodities for which price supports have been promised might go below the 90 percent of parity guarantee (92½ percent in the case of cotton). The promises to farmers must be kept. They could be made good by commodity payments as well as by supporting prices above the market.

To sum up, it seems clear that price-support and commodity-payment programs have an important, though sharply limited, place in long-range agricultural policy. Under conditions of full employment (as well as under unemployment conditions discussed later) such programs are well adapted to helping farmers achieve certain specific objectives. Most of the methods that could be used have become familiar in this country during recent years, but it would be necessary to abandon an inflexible parity formula for some system under which price goals for individual commodities would reflect current situations in regard to relative demand and production technology.

Price supports and commodity payments could, of course, be used to protect the incomes of farmers. We know from experience that they are administratively feasible, at least for limited periods. But the following considerations need to be borne in mind.

Support of the price for any commodity above the market, if employed for more than a short time, would have to be accompanied by production controls. Such a program for one or more major commodities would require relatively large annual expenditures; it would result

in uneconomic production and would hinder progress toward, or maintenance of, full employment; it would reduce consumption unless the Government sold at a loss; it would put the Government into the marketing business; and it would probably necessitate export subsidies, direct or indirect, for commodities sold on the world market.

Commodity payments would not reduce consumption, put the Government into the marketing business, or necessitate export subsidies; but they would lead to production controls and uneconomic production, and would require relatively large continuing expenditures.

Opportunity for alternative enterprise—either in other lines of agriculture, or in nonfarm work—appears to be the one real solution for producers of commodities whose market price, even in times of full employment, will be too low to yield good incomes to efficient farmers. Price supports and commodity payments would offer no such opportunity; they would tend to inhibit it.

There is another possible approach that would encourage development of alternative opportunities.

The conversion approach.—Large areas of rural America are plagued by chronic maladjustments that will at best improve very slowly even under a full-employment economy. The underlying problem is one of the size and regional distribution of the farm population and the farm-labor force in relation to land resources and employment opportunities. It is a problem affected by cultural and economic factors of long standing, and will be dealt with effectively only through programs and policies of far-reaching significance.

The achievement of a better distribution of the farm population and labor force in relation to land resources and employment opportunities is a problem of converting important segments of the rural economy from "normal" underemployment and low incomes to full employment and higher incomes. It is a problem that was in no way induced by the war; on the contrary, the war has contributed to its solution. As pointed out in the first report of this series, estimates of the farm labor force under full employment allow for the continuation of a large amount of underemployment in the agricultural labor force despite the fact that the total number in that force is assumed to be somewhat less than either before or during the war. Many agricultural areas in the country would still be characterized by under-employment and low incomes. These include many areas in the Cotton South, the Great Plains, the Southern Appalachians, and the Ozark Plateaus—as well as cut-over areas like those in the Southeastern Coastal Plains, the Lake States, and the Pacific Northwest. Under the influence of wartime employment conditions, however, large numbers of unemployed and underemployed people have been attracted from these areas to nonfarm employment in war-production centers.

The problem now is not only to avoid a reversal of this process but to accelerate it by maintaining sufficient nonfarm employment opportunities. To the extent that part of the estimated 8 million workers in the farm labor force under full employment could shift into more productive work, underemployment in agriculture would be reduced and the estimated national income would be larger.

To achieve a satisfactory relationship between the number of farm people and available land and other resources, it will be necessary ultimately to change small farming systems by enlarging farm units

into adequate family farms, and to enable large numbers of farm operators and hired workers to shift out of farming and into nonfarm jobs or enterprises.

A program to bring about these changes would consist of six main elements: (1) A shift to a competitive price policy for agriculture and from the present policy of supporting prices, (2) price-adjustment payments to farmers for certain commodities, such payments to be graduated downward over a limited period of years to cushion the shift from supported prices to competitive prices, (3) supervised operational and facility loans to enable some operators of small farms to enlarge their units sufficiently to produce an adequate income, (4) conversion payments to such farmers where necessary to enable them to carry out conversion operations, (5) continuing conservation assistance in the form of technical aid and such conservation materials as lime and phosphate, and (6) retraining for nonfarm jobs those farm operators and hired workers who wish to leave agriculture, and helping them find such jobs.

Measures to encourage regional industrialization would do much to facilitate a conversion program. If underemployed farmers in many regions are to find adequate nonfarm employment, such employment opportunities must be created, in part at least, in those regions. Now is the time to promote industrial expansion in some of these regions. If action is delayed until the postwar industrial pattern is fixed, the problem will be much more difficult.

Perhaps the best way of explaining the conversion proposal would be in terms of its application to a single region—in this case the Cotton South, where the pressure of the farm population against resources is particularly marked.

Cotton prices would be permitted to seek the competitive world level. To cushion the impact on the incomes of cotton growers, Government payments would be made to bridge part or all of the gap between the new price and parity. These payments might be based on prewar cotton-acreage allotments, so that they would not tend to prevent desirable shifts in production on individual farms during the period of conversion. They would be made on a progressively diminishing scale for a limited period—perhaps 5 years.

During the first year, the income-adjustment payment per pound of allotment cotton probably could represent the full difference between market and parity prices. Eighty percent of the difference could be paid the second year, 60 percent the third, 40 percent the fourth, 20 percent the fifth, and none thereafter.

To bring about a substantial degree of agricultural conversion quickly and without undue hardships, it would be necessary to help farm families shift from present types of farming and farming practices to farming systems that would reduce costs, maintain soil resources, and provide adequate farm incomes over a period of years with cotton selling at competitive prices. Participation in a program of this kind would be entirely voluntary, but assistance to farmers who wanted help in converting their operations would be conditioned upon their making and carrying out a farm plan adequate for the accomplishment of its objectives. Each farm plan should provide for a good system of farming and farm living, including a crop and livestock system

adapted to the available physical resources and to the prospective market outlets.

If the farm were too small at the start to provide an adequate living, and if the family were capable of operating a full-time farm, ways would be sought to add more land to the farm—either by purchase or by long-term lease arrangements. If additional land could not be found, the farm plan would provide for either full-time or part-time work off the farm; and the program would include training farm people for such jobs and helping them find off-farm work.

Credit to participating farmers would be an integral part of such a conversion program. It would be necessary either to gear the operations of existing credit organizations into those of the conversion program or to create an appropriate credit agency. Adequate technical guidance would be made available to help farmers put into effect the new patterns of farming, as well as payments for following improved conservation practices and grants to assist farmers in other conversion operations.

For the farm families who wished to leave agriculture, a conversion program would offer assistance by helping them find purchasers or tenants among people seeking to enlarge their farms. In instances where farmers and farm workers leaving the farm might want to enter other lines of work, the program would assist in training them for such occupations, in helping them locate jobs in the area, or in financing their travel to places of new employment.

Methods for carrying out the principles of the conversion approach might vary greatly among different regions. In the Great Plains, for example, neither the needs for nor the possibilities of an expansion of regional industry would be as great as in the Cotton South; but need for reducing risks from the hazards of uncertain weather would be much greater. The impact of mechanization already has been felt to a far greater extent in the Plains than in the South. For many areas in the Plains there are fewer agricultural alternatives than in the South. A great deal of range land used in livestock production cannot be devoted to any other use at price relationships that are likely to prevail, and there is no real alternative to wheat as a cash crop on much other land.

As in all regions, the central aim of a conversion program in the Great Plains would be efficient operation of family-farm and ranching units large enough to yield adequate family incomes. The concept of adequate size would allow for fully employing the labor of an operator and his family, using up-to-date power equipment.

One of the important ways of reaching this objective would be encouragement to farmers in high-risk farming areas to shift to ranching or some other systems of farming (perhaps a combination of wheat production and range livestock production) that would return sufficient income at less hazard. Steps also would be needed to build adequate reserves of feed grains and hay on individual farms. Full development of irrigation possibilities in the Missouri Valley would be of great assistance in a conversion program.

In recognition of weather hazards, further development of crop insurance not only for wheat but for other crops would be helpful, both as a means of leveling out financial risk and of building reserves of feed against years of drought. Other methods of increasing financial

stability would include the adoption of a variable-payments plan for mortgage interest and principal, and perhaps for financing the payment of taxes as well, so as to enable farmers to make relatively large payments in good years and either smaller payments or no payments at all in bad years.

Although crop insurance and provisions for variable payments would be particularly valuable as counterweights to the weather hazards of the Great Plains, both measures, of course, would have a place in programs for all regions. This general applicability is true of other measures as well. Detailed reference to the application of conversion programs to the Cotton South and the Great Plains is in no way intended to suggest that they do not apply to other regions. They can be put into effect in any region.

In a region like the Southern Appalachians, the program would require special emphasis on retraining for employment outside of agriculture. For the better commercial farming areas such as the Corn Belt, the need for this kind of emphasis would be relatively less; but for many areas along the southern edge of the Corn Belt, the need for reorganizing farms into units of adequate size is as great as anywhere. The problem of finding part-time nonfarm employment for low-income farmers can be more easily solved in regions that are already heavily industrialized, such as portions of New England, but there is much to be done even there. Further industrialization will be needed in many regions. How to prevent an increase in the number of inadequate farm units in the wake of postwar industrial reconversion is a special problem in many of the cut-over areas, as those of the Lake States and the Pacific Northwest.

When fully consummated, conversion programs should result in full utilization of labor and other resources in all producing areas, with no restrictions on production and with a competitive price system. If most farms were organized on an efficient, family-farm basis, there would be fewer farms and farmers; but those remaining would have higher incomes and levels of living.

Thus far in this report, attention has been directed mainly to the possible effects of conversion programs on the fortunes of low-income farmers. What might be their effects on the well-being of farmers who are already operating farms of adequate size? The most obvious effect would be to enable such farmers to use their land and other resources fully in the production of those crops for which they are best adapted, and for which there is the greatest possibility of a sustained market demand.

But would not the conversion of small wheat and cotton farms into larger units with more diversified production tend to increase the output of livestock products? If so, what can be done to enlarge the outlets for such commodities?

Conversion programs contain within themselves potentialities for enlarging the market demand for livestock products. If the programs were developed in accordance with principles outlined here, large numbers of farmers who heretofore have produced very little for home consumption and bought less in the market place would, under full-employment conditions, be added to the nonfarm labor force. This would tend to raise the national income above the level that would otherwise prevail, and thus increase the market demand for livestock products.

But other forms of assistance will be needed by livestock producers. Regardless of whether conversion programs are adopted, a program to store surplus feed supplies in years of good weather for use in periods when feed-crop production is short would tend to stabilize livestock numbers as well as the returns to livestock producers. Such a program would protect consumers against alternate periods of high prices for livestock products. It is recommended that in the interest of farmers, as well as in the interest of the public generally, conversion programs be accompanied by programs to stabilize feed supplies. The loans or purchases that would be necessary would be aimed primarily at stabilizing supplies but they, of course, would also have a price-supporting effect in years of high yields and heavy production.

Ways to expand food consumption of low-income families.—Additional possibilities also exist for expanding outlets for livestock and other farm products for which demand is elastic. The estimate that the index of per capita food consumption for the Nation as a whole, under full employment, would stand 18 percent above the average for the prewar years 1935–39, would still leave large numbers of people, both rural and urban, with nutritionally inadequate diets. Part of this inadequacy would be due to bad eating habits and to ignorance of what constitutes a nutritionally adequate diet; and part of it would be due to the fact that the incomes of some people would still be so low that they could not purchase such a diet.

The obvious remedy for the first of these two types of difficulties is the continuation and expansion of educational programs on how to eat for better health. To the extent that such programs prove effective they will tend to increase the demand for livestock products and for many fruits and vegetables, but such increases in consumption are likely to be more than offset by increases in farm production through improved technology. Thus, if effective action to expand food consumption is to be taken in connection with conversion programs, it will have to be directed at ways and means for raising the purchasing power of low-income people to a point that will enable them to buy enough of the kinds and qualities of food that make up an adequate diet.

In the first report of this series it was pointed out that in a full-employment situation, even with a Government program to insure what was called an "adequate low-cost diet" to low-income people, there would still be a tendency for production to outrun demand because of improved technology. But if instead of the low-cost adequate diet a diet of higher quality were provided, there would be a substantially larger outlet for food production.

It is not the purpose here to describe the mechanics of various alternative measures which might be employed to increase food consumption among low-income people, but workable measures could be adopted. The Nation has already had experience with such programs as the School Lunch Program and the Food Stamp Plan. The School Lunch Program has met with almost universal approval and seems destined to remain in some form as an important part of a more general program to improve national nutrition. Existing arrangements for providing low-cost or free school lunches should be expanded to apply to more school children and to provide more liberal diets.

Various proposals have been worked out for expanding food consumption by low-income families. Under most of the plans for a

national food-distribution program, a minimum level of food consumption would be established, and individuals would be given food coupons that would enable them to raise their consumption to that level. Thus, a national food-distribution plan, as contrasted with the old Stamp Plan, would make supplemental purchasing power available to individual participants on the basis of differences in incomes or needs the lower the participant's income the greater the purchasing power supplement, and vice versa.

A proposal of this kind would give participants an opportunity to purchase at a discount a specialized food-currency book which would contain enough coupons to enable them to buy *all* the food they would need to meet established nutritional standards. The rate of discount often suggested is the difference between the total market value of the food that would be purchased from the currency book and the total amount the participant spent previously for food. For example, if a family of four persons purchased a food-currency book valid for 1 month and containing enough coupons to exchange for $40 worth of food (the total value of foods required for a nutritionally adequate diet) and if their normal food expenditure had previously been $32 per month, the rate of discount for this family would be 20 percent off the retail value of the currency book.

From a national viewpoint a program along such lines has three advantages over an output-restriction program: (1) The consumption of food by most of the people of the United States would be maintained at a health-sustaining level; (2) farm incomes, rather than merely prices of some commodities, would tend to be stabilized by supporting the total consumer purchasing power for foods; and (3) the greater volume of agricultural products moving through channels of trade and manufacture would afford employment to more people.

Low-income farm people would be eligible, of course, for the benefits of a national food-distribution program. For farmers as a group, however, the chief effect of such a program would be support of farm *income* through increases in the volume of marketings. In most cases a large-scale food-distribution program also would tend in varying degrees to support farm prices. That is, low-income consumers by use of their supplementary purchasing power would bid part of the supply away from families of higher income. This could have a marked effect, especially in periods of full employment, on the prices of commodities whose production cannot be increased promptly and readily. There might be times, in fact, when the increase in amounts spent for certain kinds of food would far exceed the actual consumption subsidy. On the other hand, the extra demand would have less effect on the prices of commodities whose production can be increased easily.

The possibilities of a similar program for increasing consumption of fiber products should be explored carefully. At present there are no standards for adequate levels of clothing and household textiles at all comparable to the available nutrition standards. It may be that scientific standards for fiber products never can be established as exactly as those for food. Nevertheless it is well known that many persons in this country do not have enough clothing to keep them warm and healthy and that many of the Nation's homes are practically without rudimentary articles like sheets, towels, and mattresses.

The Cotton Stamp Plan and the cotton-mattress program already

have afforded some preliminary experience in stimulating consumption of fiber products, and have reinforced the belief in the widespread need for more of such products on the part of low-income families.

Other measures.—The discussion of long-range agricultural policy under full employment thus far has been directed to price, production, and distribution problems. These have been discussed under three broad headings: (1) Price supports and commodity payments, (2) the conversion approach, and (3) ways to expand food consumption of low-income families. Other aspects of long-range agricultural policy under full employment include many remedial measures which will be needed irrespective of the level of employment and regardless of whether an agricultural conversion policy is adopted. Examples are: Encouragement of cooperative marketing, the elimination of inter-State trade barriers, and other measures to improve the assembly and distribution of farm products. Action in these fields would be beneficial both to farmers and to the general public.

Another "price" not considered thus far is the wage paid to hired farm workers. Establishment of minimum standards of wages and working conditions would constitute a much-needed improvement of the rural economy. Federal and State legislation would be required to achieve this end, and care would have to be taken to devise standards flexible enough to meet varying conditions among different areas and on different types of farms. Hours of work, safety conditions, and provisions governing work by women and children would be covered, as well as rates of pay.

Standards of this sort not only would do much to protect farm laborers and their families, but also the operators of family farms who otherwise would be forced to continue to compete with large farm enterprises which hire laborers for only a few weeks or months during the year and assume no responsibility for them except in the peak periods of work.

CONSERVATION

Among all the objectives of present and past farm programs, probably none has received such universal endorsement as the conservation of soil, water, and forest resources. Regardless of the future level of economic activity, therefore, conservation will probably have an important place in national agricultural policy. The greatest expansion in soil conservation activities occurred during the depression, when farm incomes were so low that farm operators generally not only were unable to maintain their farm plants, but were also finding it difficult to maintain minimum levels of living. Governmental assistance was given in the form of cash payments for the performance of conservation practices, conservation materials such as phosphate and lime, and technical assistance in conservation planning for individual farms such as planning for terracing, contour plowing, and other practices designed to control soil erosion.

Under a sustained full-employment situation, the amount of governmental expenditures required for the maintenance of soil resources would be much less than under depression conditions. Farmers who have adequate incomes can be expected more readily to put into effect appropriate conservation practices than would be possible under depressed conditions. One important approach to the conservation prob-

lem under any condition is research and education, and especially so during periods when business activity and farm incomes are at a high level. But even under favorable economic conditions educational work should be supplemented by special technical services, and conservation materials should still be made available—especially to low-income farmers, many of whom would be participating in conversion programs if these programs were put into effect. Much equipment necessary to the heavier types of conservation work could be made available from the surplus war property now being liquidated.

Other measures should include actions that might contribute to stable, long-term land tenure, for it is only to the extent that the individual farm operator has a long-time interest in the land he operates that his interests and those of the Nation in the conservation of the soil tend to become identical. Improvements in leasing arrangements providing for automatic renewal and for compensation to the tenant at the termination of leases for unexhausted soil improvements would tend to promote conservation at any level of general business activity. The conversion programs would also be helpful to the extent that they promoted stable tenure on farm units of adequate size.

As the result of three decades or more of rising national interest in conservation, a real approach to a proper balance between high agricultural production and conservation was being made just before the outbreak of the second World War. But some of these gains were lost during the war despite very high levels of national income and employment. There is a question, for example, as to whether much of the range land has been overstocked during the war. Some land unsuitable for cropping—though not nearly as much as during the first World War—was brought under cultivation. A considerably larger acreage was cropped or grazed more heavily than was consistent with good conservation practice. Equally, perhaps more, grave was the wartime drain on the fertility of much of the Nation's best cropland where severe erosion is not the major problem. There, high yields on large acreages of corn and oil crops removed more plant nutrients than farmers were able to replace. In the forests, production of saw timber, which was about half again as great as annual growth in the years before the war, rose to a point almost double annual growth.

It is estimated that only about one-fifth of the Nation's 462 million acres of commercial forest land still is in old-growth timber, and much of what remains is economically unavailable. A very large part of the other four-fifths is only partly productive and is poorly protected against fire, insects, and disease. About 77 million acres are so badly cut over or burned that replanting would be by far the quickest method of reestablishing commercial stands. Because of the slow rate of timber growth and the large demand for forest products, additional public action in forest conservation is warranted. In view of the fact that 90 percent of the Nation's timber cut comes from privately-owned lands, it is important that there be effective public regulation of cutting and other forest practices.

Peacetime conditions with full employment will provide an opportunity for the adoption of policies to compensate for the excessive drain on resources that occurred during the war. One of the most significant of these opportunities relates to public reclamation and land purchase. There are always circumstances under which irrigation, drain-

age, and land clearing should be carried out, but if the analysis presented in the first report of this series is valid, the Nation will have no need in the foreseeable future, even under full-employment conditions, for an agricultural plant with a total area of cropland any larger than it had during the war. This means that the reclamation of land for crop-production purposes, wherever appropriate, should be accompanied by the shifting of inferior lands of equivalent productivity to other uses. It means, moreover, that if conversion programs are to be carried on during periods of both prosperity and depression, inferior lands should be devoted during periods of full employment to uses that would preclude their cultivation during periods of depression. One such policy would be to expand greatly the public purchase of low-grade lands for administration as Federal, State, and local forest, range, and recreation areas. Public-works projects for protection and improvement of publicly-owned lands, essential at all times, could be efficiently expanded or contracted to fit Nation-wide conditions of employment.

Most farm and forest conservation requirements necessarily concern water as well as soil. But there are extensive, and largely unmeasured, needs that can be met only through large-scale water development. Many of these developments, it is true, would aim chiefly at such nonagricultural ends as flood control, improved urban water supplies, and hydroelectric power production. But nearly all of these projects also would involve irrigation of existing farm land or reclamation of potential farm land.

Large-scale water-development projects must by their very nature be public enterprises. Whether undertaken by States, existing branches of the Federal Government, or regional authorities, at least three principles need to be kept in mind: (1) Integrated multiple use should in many instances be a primary objective—whether the principal purpose is flood control, urban water supply, power, or irrigation—other uses should be developed simultaneously so as to avoid waste or later duplication; (2) projects should, whenever possible, provide for agricultural and industrial development of entire river basins; and (3) in determining when and to what extent new agricultural land ought to be brought into cultivation, special consideration should be given to the Nation's need for additional farm products; to the welfare of farm people, both those who would occupy the new land and those who would be affected less directly by its reclamation; and to the urgency of needs for supplementary water on existing farms in the area in relation to needs for new irrigation.

Public works will occupy an increasingly important place in the full-employment economy of the future, and conservation should be one of the primary objects of such works.

RURAL SERVICES AND FACILITIES

The maintenance of full employment will not in itself be enough to bring about a level of rural living on a par with that enjoyed by city people. Health, education, and all the other related topics are matters of national concern. A farmer has no reason to expect his State or Federal Government to help him obtain better medical care or to build a better house just because he is a farmer. But as a citizen

of his State and of the United States he has every right to ask for public services and facilities comparable with those enjoyed by city people. They are not comparable at present. The cost per family of many public services is greater for the more sparsely populated rural areas; thus, unless Federal or State aid is used, services can be improved only through higher local taxes.

A large part of the present inequality has other roots however. Several programs and policies for raising national levels of living have been developed primarily to meet the needs for city people, hence, they often do not meet the needs of farm people. For example, many of the housing measures which came into existence in the 1930's have been of little direct benefit to farmers. Moreover, certain types of welfare legislation, such as social security measures, have not been extended to farm people.

Any well-rounded farm program must make available to farm people their full share of services and facilities offered by State or Federal Governments through funds raised by general taxation. It is within the province of a national farm program to see to it that rural families have equal opportunity with city families for achieving minimum levels of well-being and security. That obligation, and possible means for meeting it, are discussed here. One question of immediate concern—the disposition of surplus war property—touches rural services and facilities closely at many points. Timely action to make appropriate quantities of medical and dental equipment, war-housing materials, electrical and telephone supplies, fire-fighting equipment, and visual-education aids available in rural communities would greatly facilitate the long-range effort to improve the level of living of farm families.

Education.—Most of the poorer schools in this country are found in rural areas. If the quality of education varies directly with the amount of money spent for it, the explanation for poor-quality rural education is not hard to find. The average annual salary of rural school teachers in 1939–40 was $989 as compared with $1,955 for urban teachers, and total expenditure per pupil in rural schools was only $85, compared with $124 in urban schools.[1] Attendance in rural schools, also, does not measure up to that of urban schools. According to the Census of 1940, some 77 percent of urban boys and girls between 16 and 17 years of age were in school, whereas less than 59 percent of rural farm boys and girls of the same age group were attending school. The quality of education in most rural areas lags behind that in urban areas in just about every way that it may be tested.

The war has created new problems for rural schools. A great exodus from teaching took place during the war years and the brunt of that out-movement has fallen on rural school systems. Rural school teachers were only too glad to forsake their low-paying jobs for higher-paying positions in industry and in the urban school systems. Thus, rural school systems have a double job ahead of them—first to regain their prewar level, and second to move on to standards common to urban school systems.

Definite steps must be taken to improve the quality of rural schools, and thus provide better educational opportunities for farm children.

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[1] Blose, D. T., and Alves, H. F. STATISTICS OF STATE SCHOOL SYSTEMS, 1939–40 AND 1941–42. U. S. Off. Ed., 138 pp., illus. 1944. (See p. 39.)

Better trained teachers must be obtained. This means that in the long run higher salaries must be paid. Facilities must be improved. This means that consolidated schools of some type need to take the place of one-room schools wherever possible, so as to permit specialization in teaching and the adequate library facilities and other instructional materials and equipment necessary to modern education.

All these improvements will cost money. Since many predominantly rural States with relatively low educational standards are making relatively greater financial effort to support public schools than the richer industrialized States, how may these improvements in rural areas be financed? It seems clear that the wealth of the entire Nation, wherever it is located, should help support the education of the Nation's youth wherever they may live. This means that the Federal Government must help finance improvements in education in the poor areas, which often are rural areas. This does not mean that the Federal Government need interfere with the administration of State and local school systems. But it does mean that the Government should set forth minimum standards with respect to education, and provide the additional funds that are necessary to satisfy those requirements.

Health and sanitation.—Medical services and health facilities in most rural areas are inadequate and far below urban levels. Census data show that although the general death rate of rural people still is slightly lower than that of city people, its decline in recent years has been much less than in cities. For some diseases which modern medicine usually can cure, rural death rates now are much higher than urban. Also, infant mortality in 1942 was more than one-fourth higher in rural sections than in large cities. In the preceding year the rural maternal mortality rate was almost a third higher than the rate for large cities.

Such figures reflect inequalities in medical care and facilities. The Census reveals that just before the war there was an average of 1 doctor for every 1,700 people in the 1,000 most rural of the Nation's counties. In large cities the average was 1 doctor for every 650 people. The greater accessibility of the urban physicians heightens the contrast. The situation is similar in regard to nurses. The urban concentration of dentists is even more disproportionate.

Hospital facilities are generally inferior or nonexistent in rural areas. More than a third of the Nation's counties lack even one satisfactory general hospital. Although, according to the American Hospital Association, 3.5 to 4.0 beds per 1,000 persons would be required to meet minimum needs of most rural sections, the present average is less than 2.0. Public clinics or health centers where people can be diagnosed or treated without being hospitalized are as yet unknown in most rural communities.

Farm people cannot hope to receive adequate medical services until (1) more and better doctors, nurses, and dentists are practicing in rural areas, (2) sufficient new hospitals and health centers to serve farm people have been built and old ones modernized, (3) improved methods are devised for meeting the cost of medical services for more farm families, and (4) good preventive public-health programs are organized. Any well-rounded farm program must help bring these conditions about.

If rural areas are to be adequately served by doctors, nurses, and dentists, it will be necessary that hospital and clinical facilities be improved and expanded and that the earnings from medical practice among farm people be larger and more certain than they have been in the past. The needed medical personnel cannot be expected to take up practice in isolated rural areas, where facilities and equipment are meager and where their earnings will be low. Both of these problems will be greatly ameliorated if farmers—large and small alike—have adequate incomes. However, it is likely that both Federal and State aid will be necessary if rural communities are to have essential hospital, clinical, and laboratory facilities.

The problem of how medical personnel can make acceptable earnings from practice in rural areas is, of course, the opposite side of the problem of how farm families can pay for adequate medical care. Local health and hospitalization insurance associations, when organized to cover a large proportion of all families in a county or trade area, offer considerable assurance of steady income to hospitals, doctors, dentists, and nurses while, at the same time, eliminating a large part of the financial risk of unexpected and exceptionally large medical expenses to the individual family. Local health-insurance plans, however, are not likely to be adequate in those rural areas in which farmers' incomes are simply too low to cover the cost of adequate medical care. State or national health-insurance coverage, for rural and urban families alike, may well be the answer to problems of this nature.

The general lack of facilities on farms to maintain sanitary conditions is well known. Safe drinking water, sanitary waste disposal, and protection from mosquitos and flies would appear to constitute a minimum standard to be achieved for every rural home. It is estimated by the Public Health Service that a large proportion of the water supplies of rural homes have serious defects requiring correction to insure safety. According to the 1940 Census, about 70 percent of the farm houses were inadequately screened.

The maintenance of a full-employment economy would tend to improve these conditions; but many of the causes are such as to require further extension of educational efforts as well as more direct forms of public assistance in the field of sanitation. The adoption of conversion programs, such as those previously discussed, would be helpful—at least as they affect individuals participating in the programs.

Housing.—Although poor housing conditions in cities have attracted much public attention in recent years, the quality of rural housing is even lower. Compared to about 9.5 out of every 10 city houses that had running water according to the 1940 Census, only about 2 out of 10 farm houses had it. The proportion of overcrowded houses (less than two rooms for each three persons) was more than twice as high in the country as in the city.

The opportunity of farm operators' and farm laborers' families to live in adequate houses must be greatly improved if the level of living of farm people is to be brought up to that of other groups. Undoubtedly the main reason why farm families are badly housed is that they do not make enough money from farming or off-farm work to improve their houses or build new ones. Many farm families have been unable to obtain credit for improved housing, either because it was not avail-

able in sufficient amounts or was not well adapted to finance rural homes. Still another reason is that in most rural communities farm families with adequate credit or cash have been unable to obtain well-designed and constructed houses at reasonable cost. Much remains to be done in developing lower-cost construction methods and more efficient procedures for providing good rural housing.

The chief contribution a farm program can make toward improved housing and other farm buildings must necessarily be indirect, through the medium of income. But a farm program also could make many direct contributions. Adequate housing could be made an integral part of a conversion program. Appropriate types of loans could be made available not only to owner-operators of family-type farms and to tenants and laborers for the purchase of such farms but also to landlords and employers of farm labor to enable them to provide better homes for their tenants or laborers. Building cooperatives that would employ architects and trained workers and effect savings through large-scale purchases also could be encouraged. Minimum standards of housing could be established for laborers living on the farms where they work. Much more Federal and State research needs to be done in the little-known field of rural housing. Educational programs to bring such knowledge to farm people should be expanded, so that farmers who wished to build or improve houses could turn to public sources for advice on design and materials.

But these steps would fall short of solving the whole farm-housing problem. A conversion program would give those farm operators and laborers who participated, either through enlarging their farm units and changing their farming systems or through training and assistance to get off-farm jobs, an opportunity to obtain acceptable housing. But it would be several years before the conversion program could reach all of them. Also many farm families would remain who utterly lacked the income base to initiate or even maintain adequate housing. Among these would be unemployables and those not fully employable, including hundreds of thousands of aged families and many farm laborers.

This brings up a difficult question. Should families whose poverty sentences them to squalid and unhealthful dwellings be passed over as beyond help, or should State and Federal Governments give assistance in the face of the presumption that such aid would anchor the people more securely to the source of their difficulties and work counter to efforts to help them either consolidate insufficient units or seek opportunities elsewhere? One answer might be to subsidize temporary housing improvements which would make their present dwellings more habitable for a few years until the occupants had an opportunity to participate in the conversion program. But what of other farm families who through age or for other reasons are either not employable, or not fully employable, in agriculture or anywhere else? A partial answer might be found in including certain modest requirements of housing—a sound roof and screens, for instance—among standards for rural relief.

Migratory workers provide a special problem. A conversion program of the type just discussed, together with other measures to strengthen the family farm, would tend to reduce the number of migratory farm workers. More of the work would be done by the

farm operator and members of his family with the aid of improved and adapted machinery. Larger machines doubtless will be used for work that now requires large numbers of migrants. Even so, it is likely that there will be many migratory farm workers for a long time to come, regardless of conditions.

Few such families have adequate housing now. Many have no place they really can call home. Every family in America should have a permanent abode where it could develop community ties and where uninterrupted education would be available to the children. Unless or until minimum-wage standards or other measures enable migratory workers to own or rent acceptable homes from which they would migrate and to which they would return, and where the mother and children could remain, particularly during the school year, such homes could be publicly owned and made available at rates the occupants could afford to pay. Adequate shelter also would be needed for the workers while they were working away from home.

Rural electrification.—In one sense, electrification is an adjunct of housing. In another, it is an important item in farm production. As the problem of bringing electricity to farmers is highly specialized, it is considered here separately as one of the components of better farm living. Nearly half of the Nation's rural homes—farm and nonfarm—are without central-station electric power.[2] More than half of the farm homes still lack electricity, whereas all but about 4 percent of the Nation's city homes have it.

Family income is, of course, a factor in whether a farm has electricity, but not nearly to the extent as in whether a farm has good housing facilities. For years the greatest obstacle to the extension of electric service to rural areas was the more profitable market prevailing in thickly settled city and suburban areas. Few attempts were made by private interests to find ways to serve farmers at moderate cost.

The work of the federally financed cooperatives has pointed the way toward rural electric service at reasonable cost. The pace of these activities already has quickened with the ending of the war. The program for making electricity available to more farms should be expanded and speeded. It is important that all the farmers of an area have an opportunity to obtain electricity at reasonable rates, so that those in the more thinly settled districts will not have to choose between going without electricity and paying very high rates. The principle of area coverage should be maintained and strengthened.

Rural telephones.—The total number of telephones in the country as a whole increased rapidly during the two decades between 1920 and 1940. However, the number of telephones on farms declined during the same period. According to the Census in 1920, for instance, there were approximately 2,498,000 telephones on farms. By 1930, the number had declined to about 2,139,000, and in 1940 only 1,527,000 farms had telephones. There has been some slight increase in the number of farm telephones since 1940, but slightly less than one-third of the farms in the country have telephones at the present time.

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[2] United States Department of Agriculture, Interbureau Committee on Post-War Programs. RURAL ELECTRIFICATION AFTER THE WAR. 18 pp., illus. 1945. (See p. 2.)

As farms are usually situated at a considerable distance from medical centers, marketing facilities, and centers of public services, telephones may be considered as almost a necessity in modern farm life. That a smaller percentage of farms have telephones than electricity, and that rural telephone facilities were decreasing for two decades before the war, are facts not widely recognized. A well-rounded farm program will take steps to expand rural telephone services.

During the period between 1920 and 1940, when the number of telephones on farms was declining, the prices paid by farmers for telephone services were increasing. Monthly charges for telephone service in rural areas increased about 30 percent between 1910–14 and 1935–36.[3] The increase in rates and the decline in the rural telephone services were associated with a reduction in the number of small town exchanges and cooperative telephone systems. These were mostly absorbed in extensions of large exchanges or by combinations of smaller exchanges into larger exchanges. Often, small local companies were taken over by one of the large corporate systems.

Adequate and stable farm incomes will make it possible, no doubt, for more farmers to pay for telephone services. This alone, however, as in the case of farm electrification, is not likely to be adequate. The problem of providing telephone services for farmers is similar to that of providing electricity. It might well be approached in the same manner—through Federal loans to cooperative associations.

Roads.—Good roads are indispensable to modern society—particularly to farmers because of the distances that must be traveled in marketing products, purchasing supplies, delivering mail, transporting children to and from school, and maintaining social ties. The rural road system, including all roads and highways outside the incorporated limits of towns and cities, amounted to 3,004,000 miles in 1941. Primary roads represented about 332,000 miles, and secondary and local roads, which are of first interest to farmers, made up the remainder of 2,672,000 miles. According to the Public Roads Administration, a reasonably adequate rural road system should provide surfacing for all roads which carry a traffic load of 10 or more vehicles per day, and grading and drainage for at least half of the roads which have less than that amount of traffic. This goal of an adequate road system was half achieved in 1941.

The responsibility for the construction and maintenance of public roads rests with Government, but a real problem exists in the allocation of highway and road cost between Federal, State, county, and local governments. The Federal Government during the 1930's, as a matter of national employment policy, contributed more heavily to the construction and maintenance of roads than it had in earlier periods; and with this additional aid, considerable progress was made in moving toward an adequate rural road system. Congress has already authorized substantial appropriations for further development.

Social security.—The social security system represents one of the major national efforts of recent years to improve the welfare of a large

[3] United States Bureau of Agricultural Economics. Telephone rates to farmers in the United States, 1910–14, 1924–29, 1932, and 1935–36. Bur. Agr. Econ. Income Parity for Agriculture, Pt. III, Sec. 3, 15 pp. 1938. [Processed.]

proportion of the population. There are three types of social security programs: (1) old-age and survivors' insurance, (2) unemployment compensation, and (3) public assistance. The first is a Federal program, under which monthly benefits go to retired, insured workers and their wives who are over the age of 65, and to survivors of insured workers who die. The second is a combination Federal-State system. State laws vary, but generally an unemployed, insured worker receives weekly benefits equal to about half his weekly wages, provided he is willing to work and is not unemployed through his own fault. Public assistance is also provided by Federal-State programs to needy old people, the needy blind, and to dependent children of needy families. Eligibility and amount of payments vary considerably from State to State, but grants are not ordinarily made to persons who have property, savings, or current income above minimum amounts.

Farm people are eligible to receive public assistance. They are excluded, however, from coverage under both of the insurance programs, as the law now stands. A national farm program will not be complete until all farm people have been made eligible for old-age and survivors' insurance, and hired farm workers are covered by unemployment compensation. Moreover, there are good grounds for the inauguration of a Nation-wide medical-care insurance program for rural as well as urban people as a part of a comprehensive social security system.

At the present time farmers help pay for all three of the social security programs even though they are excluded from the benefits of two of them. Some part of the pay-roll taxes which are levied to pay the costs of both unemployment compensation and old-age and survivors' insurance are passed on to the purchasers of goods and services in the form of higher prices. Farm people pay their part of these prices. Moreover, many farm workers and small farmers, who work part-time in nonfarm jobs covered by social insurance, have their wages taxed, but do not remain in the insured type of work long enough to receive benefits when they are unemployed or retired. In addition, because farmers are excluded from the two insurance programs, relief costs in rural areas are higher than would otherwise be the case. Because local relief costs in most rural areas are financed largely from real estate taxes, the burden falls heavily upon farmers.

Old-age, unemployment, sickness, and accidents are all types of risk which are adapted to sound insurance coverage. Some of them are now commonly covered through private or mutual insurance organizations. However, in order to bring the costs of premiums within the range of people who need insurance most, Nation-wide coverage is essential. The programs may or may not require public subsidy, depending upon the scale of benefits paid in relation to the social security taxes collected.

Even under conditions of full employment and with special measures, such as the conversion program already discussed, some rural people who were not fully employable might be unable to support even a bare minimum level of living. A farm program that failed to recognize this would be incomplete indeed. One way of meeting the situation would be to expand the public-assistance phases of the Social

Security Program by liberalizing eligibility requirements to include such cases and by increasing the amount of the benefits paid.

IF THERE IS UNEMPLOYMENT

If there is unemployment, the scope of an adequate farm program would have to be broader than under the full-employment conditions discussed previously. With full employment, the buying power of domestic consumers can be expected to go a long way in assuring farm people of adequate incomes. Under such favorable conditions, the chief functions of the farm program would be to help farmers in over-expanded lines of production to shift to more promising enterprises (either in or out of agriculture), to stimulate consumption of farm products by low-income families, to promote soil conservation, and to help bring more adequate services and facilities to farm people. With less than full national employment, the gap between market returns and adequate farm income would be much wider; farm prices tend to fall faster and farther than most others in a contracting economy. As individual family incomes fell, the Government's share of the respon-

TABLE 3.—*Employment, prices, and income, United States, averages 1935–39, 1943, and estimates for 1950 under assumed conditions* [1]

Item	Unit or base	Average 1935–39	1943	1950 [2] Full employment	1950 [2] Intermediate employment	1950 [2] Serious depression
Total labor force	Million	53.8	62.6	60.0	60.0	60.0
Armed forces	Million	.3	9.1	2.0	2.0	2.0
Total unemployment	Million	10.2	1.1	2.0	7.0	17.0
Total civilian employment	Million	43.3	52.4	56.0	51.0	41.0
Total agricultural employment	Million	9.3	8.3	8.0	8.5	9.0
Total nonagricultural employment	Million	34.0	44.1	48.0	42.5	32.0
Gross national product	Billion dollars	81.9	187.8	188.0	130.0	76.5
National income	Billion dollars	[3] 66.3	[3] 149.9	150.0	105.0	57.5
Wholesale prices, all commodities, index	1926	81.0	103.0	103.0	87.0	66.0
Cash receipts from farm marketings	Billion dollars	8.0	19.3	17.0	12.5	6.5
Net income of farm operators	Billion dollars	[4] 4.8	[4] 12.6	9.3	6.5	3.0
Prices received by farmers, index	Aug. 1909–July 1914	107.0	192.0	165.0	125.0	75.0
Prices paid, interest and taxes, index	Aug. 1909–July 1914	128.0	162.0	165.0	140.0	120.0
Parity ratio (prices received vs. prices paid)	Aug. 1909–July 1914	84.0	119.0	100.0	89.0	62.0
Food consumption, per capita index	1935–39	100.0	106.0	118.0	110.0	100.0
Agricultural production, index	1935–39	100.0	128.0	135.0	[5] 125.0	[5] 115.0

[1] Table adapted from Misc. Pub. 562, p. 25, with revisions as indicated by footnotes 3 and 4.

[2] The number of employed or unemployed is not the only factor that distinguishes any one set of conditions from the other two assumed for 1950. The general price level and productivity per worker change also.

The "Full employment" estimates assume a minimum frictional unemployment of 2 million persons, continuation of trends in productivity per worker, and a general price level equivalent to that of 1943, with prices received by farmers adjusted to their usual relation with the general price level during 1921–41. The "Intermediate situation" assumes per capita income and prices generally at about the level of 1941. "Serious depression" assumes an income level somewhat above 1932, but below 1935–39 and prices generally about equal to the average of 1932 and 1933, but since both the labor force and productivity per worker are increasing, unemployment under this situation would be even greater than in 1932 and 1933. Population in 1950 is estimated at 144,000,000. All three estimates assume 2 million workers in the armed forces.

[3] Estimate of the Bureau of Agricultural Economics.

[4] Including changes in inventories and Government payments.

[5] Production that consumers would buy and farm families would use at the prices assumed.

sibility for conservation and maintenance of rural services and facilities would increase. With such a large slice of the Nation's population unable to buy freely the products of other industries, further unemployment would result. High farm purchasing power is essential to national full employment.

The first report of this series included some estimates of the possible effects upon agriculture of varying degrees of national unemployment.

If economic activity in 1950, as measured by employment, should fall to an intermediate level of 7 million unemployed or to the very low level of 17 million unemployed, the impact on agriculture would be harmful, with the damage varying with the volume of unemployment (table 3). With 7 million workers unemployed, or with about the same proportion of the total labor force out of work as in 1941, it is estimated that national income would fall from the full-employment level of about 150 to 105 billion dollars, the index of per capita food consumption from 118 to 110, the index of prices received by farmers from 165 to 125, and the cash farm income from 17 to 12.5 billion dollars. Even a moderate business slump, therefore, would carry with it serious price and income dislocations for farmers.

But if the level of business activity should continue to fall—not stabilizing at 7 million unemployed—and should reach the depth of say 17 million unemployed (a situation comparable to that of 1932) the total economy, including the agricultural segment, would be near collapse. It is estimated that in such a serious depression the gross national product would decline to 76.5 billion dollars, the index of food consumption to 100, the index of prices received by farmers to 75, and the cash farm income to 6.5 billion dollars. These estimates do not represent forecasts, but are simply cross-section pictures of what the economy might look like at two levels of economic activity as of 1950. In agriculture the major force of economic depression expends itself in the form of sharp price declines, while the quantities taken hold up relatively well. The net result is that farm income declines precipitously, while fixed costs remain relatively high.

How can a farm program best serve agriculture in times of unemployment? Of course, the chief objective would be to protect farm incomes and the level of living of farm people and at the same time contribute to the effort to restore full employment. This, however, could not be accomplished overnight. In the interim, which might cover a considerable period, the major phases of the program already suggested as appropriate for a period of full employment would continue to be helpful. Some should be intensified; others would need modification. If the period of depression persisted, additional steps would be needed.

First, let us see how the chief lines of action of a farm program geared to full employment would apply under unemployment conditions.

MAINTENANCE OF CONSUMER DEMAND

One type of protection to farm producers would be the efforts to encourage more adequate food consumption by low-income families, already discussed as appropriate even under a full-employment situation. If such programs were in force under full employment, it would

be necessary only to expand them during depression. The program or programs for food distribution would be consistent with the needs of the rest of the economy. The bulk of unemployment occurs in urban areas where individual industries meet the force of a depression by restricting production or by shutting down entirely. Workers forced off the job through restrictions in industrial output do not have the purchasing power to continue buying food and clothing at their accustomed rate—they buy less food and cheaper foods. If the purchasing power for food and fiber of unemployed workers, and of those persons in fear of becoming unemployed, could be maintained at all times at some minimum level, the demand for farm products would be maintained, the prices of farm products would be more stable, and cash farm income would be supported.

At what minimum level should the purchasing power of consumers be maintained—at what floor should consumption of food and fiber be supported? Considerable work has been done in establishing minimum nutritional requirements, and the Bureau of Human Nutrition and Home Economics has translated these requirements into combinations of food at three levels of cost—low, moderate, and high. Thus, the area of judgment in establishing the minimum below which the consumption of food should not be permitted to fall is chiefly related to the cost of the diet. The higher the cost of the diet selected as the level below which consumption would not be permitted to fall, the larger would be the necessary expenditures to maintain such a level and the greater would be the support to farm income.

As the general economic situation changed, the size of the necessary food-consumption subsidy would also change. As more and more consumers fell into the low-income classes, a larger number would become eligible to participate in a food-subsidy program, because their normal food expenditures would fall below the cost of an adequate diet.

CONTINUING THE CONVERSION PROGRAM

The conversion approach outlined earlier is in essence a method for assisting farm people to take advantage of alternative opportunities, either in or out of agriculture. Thus a conversion program has meaning only to the extent there is something to convert to. In periods of national unemployment the alternative opportunities open to farm people would shrink. As the buying power of consumers fell, the market for farm products would tend to diminish. Job openings in private business and industry would decline. As a result, the pace of an agricultural conversion program would tend to slow down.

But it would not have to stop; in fact, continuation of the conversion program would be of great help to farm people in times of unemployment.

For example, more diversified and efficient farming are leading objectives of the conversion program. Work toward these ends could go on regardless of a drop in national employment. It could help farmers lower their costs through greater efficiency and enable them to produce a greater variety of food and feed for home use. Such benefits would be felt most, of course, on farms that already had enough good land to support a family.

But what about the farmers who still need more land in order to

establish an adequate family farming base, or the farm people who want employment opportunity outside agriculture? If nonfarm jobs are scarce, few of the people who want to leave agriculture will have any place to go. Unemployed urban people, if past experience is a guide, will seek refuge on the land. This, in turn, will make it harder for the farmers who want to expand their operations and obtain more land.

Those are the makings of a tight bottleneck, but there are ways of easing the pressure. The programs for maintaining the consumption of farm products will offset in some degree the shrinkage of agricultural opportunity. A well-conceived program of public works that could be expanded with rising private unemployment could offer employment to many of the farm people who think it best to leave agriculture. For the younger members of this group, comprehensive training programs could be offered to fit them for urban trades and businesses against the return of full employment.

The Federal Government could provide employment for both unemployed urban workers and for farm operators who would want to leave the farm by sponsoring public works in both rural and urban areas. New jobs would result from the building of schools, parks and playgrounds, roads, and hospitals; from the operation of those facilities once built, from urban slum clearance, and from the development of projects in the manner of the Tennessee Valley Authority. Most of such Government activity to create new jobs could probably take place without entering into direct competition with private enterprise.

A program to expand public employment to compensate for declines in private employment might be conceived as only temporary in character, or rather as an intermittent phase of the long-term conversion programs. It is suggested in recognition of the fact that the conversion programs may at best take several years for completion, and that until completed, some provision would need to be made to meet the problems of many of the farmers who are handicapped by limited resources—problems that would be accentuated by depression.

To the extent that measures for offering nonfarm opportunities to people wishing to leave farms, and for preventing jobless urban people from crowding onto the land, were successful, additional land would be available to the families who need more acreage to remain successfully in agriculture.

Thus the continuation of the conversion program in times of unemployment appears possible as well as desirable.

OTHER CONTINUING PROGRAMS

The need for Government aid in conservation would be greater in bad times than in good. With farm incomes down, the national conservation program might well have to be expanded to help farmers carry out conservation practices that in years of good income they could pay for out of their own pockets.

Similar reasons for expansion in times of unemployment would apply to many of the programs for improving rural services and facilities. Needs for adequate housing, medical care, schools, and the like would continue unabated, but farm families' ability to pay for them out of current income would be greatly reduced. The social security

program, once it has been extended as fully as possible to farmers, also will be an important stabilizing factor through maintaining the purchasing power of aged and incapacitated farm people and temporarily jobless farm workers.

SUPPLEMENTARY MEASURES

We have seen how, with some changes of emphasis, the measures essential to a good farm program in times of full employment would also be helpful to agriculture in times of unemployment. Not only would they serve as a first line of defense while the country was building back to full employment, but through encouraging continued high farm production and checking the fall of farmers' buying power, they would contribute actively to recovery.

But suppose these actions are not taken, or are not put into effect with sufficient vigor or in time to produce the intended effects. What further steps could be taken that would give farmers the protection they are entitled to and yet augment, rather than conflict with, efforts to restore Nation-wide full employment?

Price supports and commodity payments were the devices most frequently used in the effort to protect farm incomes in the period of national unemployment before the war. They can be used again. But as the earlier discussion of these methods in connection with a full-employment situation indicated, experience with price supports and commodity payments has uncovered some sharp limitations, even under the unemployment conditions for which they were designed.

Price supports are popular with farmers who have commodities for sale. They have generally preferred to receive their income direct from the market rather than by way of Government checks—other things being equal.

In past periods of unemployment, the Federal Government has supported prices of some storable commodities for several seasons at a relatively high level. This has not been the case for commodities which cannot be easily stored, or even for all of the storable commodities, for it has been recognized that prices can be supported over several seasons only by operations which either control the quantities produced and marketed or increase the quantities used, or both.

Three principal devices have been used. *First*, nonrecourse loans which allow farmers to retain title to commodities that can be easily stored, and which assure them of at least the support price since the Government assumes title in case the commodities are not sold before some specified date. *Second*, direct purchase of commodities from farmers at the support level. *Third*, purchase of graded or processed commodities from dealers or processors, provided specified support prices have been paid to the producers of the raw material.

In general, nonrecourse loans have been used to assure returns to farmers for such crops as corn, cotton, and wheat—commodities which can be stored at a reasonably low cost. Such loans cannot be used for commodities which cannot be easily stored. As a result, the Government has found it necessary to purchase perishable and semiperishable commodities either directly from farmers or from handlers and processors.

If perishable commodities are purchased, some reasonably immediate means of disposal must be at hand. Fresh fruits and vegetables cannot be stored or held very long; and even in the case of such commodities as eggs, the storage period is definitely limited. This, as well as other considerations, has sometimes led to the purchase of graded or processed products from dealers or processors who can show that they have paid specified support prices for their raw materials.

The operation which involves the least red tape, at least so far as farmers are concerned, is one by which the market price for the whole crop is supported without reference to any form of production control. Such an operation can be carried out, but experience has indicated the consequences to which it may lead.

In the case of storable commodities such as corn, cotton, and wheat, supporting the price for all that comes to the market will usually mean accumulation of considerable stocks, assuming prices are effectively raised. As a rule, it will also mean that the quantities consumed will be reduced, owing to the effect of the increased price, and that the use of substitutes will be encouraged, while at the same time farmers will be likely at least to maintain, and on many occasions to increase, production. As stocks accumulate, questions are certain to be raised with respect to the cost of the program, both in terms of Government funds required and in terms of the farmers' future market.

These consequences have led to acreage allotments and marketing quotas on the one hand, and to export subsidies or two-price schemes of one kind or another on the other hand.

Acreage allotments and marketing quotas, of course, mean inefficient production, because efficient producers as well as others are prevented from making full use of their resources. They also mean something less than full production and a restricted market both at home and abroad. For example, it is generally recognized that supporting prices for wheat and cotton at not less than 90 percent of the current parity level will cut farmers of the United States almost entirely out of the international market, since other countries will be willing to sell at a much lower level.

As an offset to this effect of support prices on foreign trade, export subsidies have been used, and authorization for their continued use is contained in the Surplus Property Act of 1944. The use of such subsidies may well lead to retaliation, and has raised the question of whether the funds available to any country for such purposes should not better be used to subsidize its own consumers.

The fear of losing the foreign market and the fact that different consumers in the United States are willing and able to pay different prices for the same product has led to proposals of "two-price" plans of one kind or another. So far, the United States has had little experience in the operation of such a plan for any of the field crops. In the case of milk, however, it has been possible in a considerable number of urban areas to set a price for the milk that goes into fluid use and to sell all milk that will not move at this price in the cheese or butterfat market at a considerably lower rate.

The many difficult situations into which support prices so often lead has created interest in the alternative idea of supporting farm incomes by making commodity income or adjustment payments to farmers

equivalent to the difference between competitive prices and a specified support level. In that way, it is felt, market forces would be permitted to indicate to farmers what products were in greatest demand, and in addition consumption would be encouraged.

Consumption does tend to increase as prices are lowered, but farmers were found to be no more inclined to shift their production under this kind of program than if prices were supported outright because they naturally made their choice not on the basis of prices as such but on the basis of their over-all return per unit of product, including the commodity payment.

Control of acreage and production was the chief device for raising prices in 1933. Experience under the original Agricultural Adjustment Act and later legislation indicates that fairly effective control can be obtained over the acreage and production of individual commodities for a few years, assuming the situation is so bad that farmers clearly understand that they must work together. But there has been no effort to control *over-all* production and the experience to date indicates that even controls for individual crops are not very effective, once prices reach an attractive level or in case they are continued over a considerable period. Farmers tend to increase the quantities of fertilizer, labor, and other factors used as acreages are reduced. In addition, the acreage of the controlled crop is often shifted to the best land on each farm. The net effect is a very considerable increase in efficiency and yields per acre.

What is said here about limitations of support prices does not imply that there should be any hesitation in carrying out the commitments which have been made in connection with the war effort, so long as they are met in a manner that will facilitate rather than hinder the adjustments needed in the transition period. Farmers were asked in 1941 and 1942 to increase their production of a large number of commodities, and were assured that the prices of these commodities would be supported not only during the war period but for a sufficient time thereafter to allow acreages and livestock numbers to be readjusted to a peacetime level. As a result, the armed services and the allies have been supplied with the food and other agricultural materials they needed, and civilian consumption has also been maintained at a high level. Agricultural production neither can nor should be stopped as a result of the end of the war in the same way that the production of tanks and ammunition has been stopped. Any costs to the Government which may be incurred during the 2 years ahead should be charged to the liquidation of the war effort. The cost of keeping these commitments will be small indeed compared with the contribution to the winning of World War II made by American food.

The fact that price supports and commodity payments have been used with some success during peacetime depression leads to the possibility, of course, that they will be used again under similar conditions. But are there any other direct ways of supporting farm incomes that would not have the known adverse effects of the methods tried in the past, and that would at the same time make positive contributions to reestablishment of full employment? One possible way is suggested in the following paragraphs.

Support for farm income.—One of the driving forces back of the whole parity-price movement was the conception that farmers were

entitled to a fair share of the national income. Few are likely to deny that this is a valid proposition.

But what share would be fair? It may well be that any given percentage, fixed for all time, would become too small or too large through changes in demand and production technique for both farm and nonfarm products. One way of taking these possibilities into account would be to assume that farmers' fair share of the national income would be that share they have received under the most recent peacetime full-employment situation and without Government price supports—a share that would necessarily change with a change in the proportion of the population on farms.

The Government can see to it that farmers receive that share if unemployment and depression should develop. Payments could be made to individual farmers out of funds derived from the progressive income tax. The sum of the individual payments could be enough to bring aggregate farm income to the desired proportion of the national income. The total amount due farmers under such a plan could be calculated at the end of any year. This amount could be allocated to farmers on the basis of each farmer's share of the total product produced for sale and consumed on the farm—but valued at the prices which prevailed during the last full-employment year. Use of the price pattern that prevailed in the last year of full employment in calculating each farmer's share of the total payment would afford the producers of those commodities which are subject to especially severe price declines during depression a greater protection than they would receive if the calculations were based on the depression pattern of prices.

In effect, this is a proposal for a new parity formula. Its main assumptions are: (1) that farmers are receiving a fair share of the national income when they receive competitive prices under a peacetime full-employment situation and (2) that the relationships between market prices of various agricultural commodities under these conditions are fair.

For purposes of illustration, let us assume that during the last peacetime period of prosperity the Government had adopted a policy of maintaining farm operators' income from agriculture at a given percentage of the national income, and had used 1929 as the base year for the calculations. If that had been done, the Government would have paid farm operators a total of nearly 3 billion dollars in almost equal amounts for the 3 years 1930, 1931, and 1932 (table 4). It would have paid them another billion for each of the 2 years, 1939 and 1940; and for 6 of the years since 1929 there would have been no payments. For the entire 15-year period since 1929, total payments would have amounted to 6.9 billion dollars as compared with actual payments made during this same period of 5.8 billions—provided, of course, the heavy payments made during the earlier years had not served to reduce the necessity for some of the subsequent payments. To the extent that prompt and adequate payments during the early years of the depression would have served to limit the depth of the decline in employment, there are good grounds for believing that the total amount of payments would have been less than those actually made under past programs, and that farmers' incomes would have been better.

TABLE 4.—*Amount of income supplement necessary to maintain farm operators' share of national income at 1929 level, 1929–44*

Year	National income [1]	Net income of farm operators from agriculture [1 2]		Percentage of civilian labor force unemployed	Actual Government payments	Necessary supplement to maintain 1929 share
		Amount	Percentage of national income			
	Mil. dol.	*Mil. dol.*	*Percent*	*Percent*	*Mil. dol.*	*Mil. dol.*
1929	85,954	5,878	6.8	3.1	0	
1930	75,364	4,340	5.8	8.8	0	785
1931	59,853	2,894	4.8	16.1	0	1,176
1932	43,605	1,872	4.3	24.0	0	1,093
1933	41,875	2,513	6.0	25.2	112	334
1934	49,002	2,702	5.5	21.6	397	630
1935	55,825	4,024	7.2	19.9	498	0
1936	65,420	4,481	6.8	16.5	250	0
1937	71,189	5,038	7.1	13.8	314	0
1938	65,930	3,920	5.9	18.7	412	563
1939	70,708	3,861	5.5	16.5	705	947
1940	77,709	4,097	5.3	13.9	670	1,187
1941	94,247	6,239	6.6	9.3	514	170
1942	120,184	9,587	8.0	4.4	610	0
1943	149,242	11,981	8.0	2.0	590	0
1944	160,103	11,444	7.1	1.6	715	0

[1] Excluding Government payments.

[2] Adjusted for changes in inventory.

NOTE.—Bureau of Agricultural Economics. Compiled from official sources. Unemployment data 1929–40 preliminary estimates of the BLS. Figures for 1941–44 are from the Bureau of the Census, Monthly Report on The Labor Force. Government payments represent direct payments to farmers (rental and benefit, cotton option, conservation program, price adjustment, Sugar Act, parity, and production program payments); share to landlords not living on farms is excluded.

But if an income-supplement program were adopted now for the years ahead, what bench mark should be used for the calculations? The year 1929 is by now remote, and did not represent a full-employment period in accordance with the definition presented in the first report of this series. What about the estimates that have been made for 1950 on the basis of full employment and competitive farm prices? They indicate that the 9.3 billion dollar net income of farm operators that might be expected in that year would represent 6.2 percent of the national income. Yet an estimate (in no sense a forecast) of conditions that may prevail 5 years in the future is not too solid a foundation for determining farmers' fair share of the national income for the years between now and 1950, especially if that percentage should be the goal of an action program. Furthermore, the 1950 estimate takes account of probable changes in the proportion of the population in agriculture and in the relationship between farm and nonfarm production that have not yet taken place.

Perhaps, if an effort is made to find an interim goal for farmers' share of the Nation's income, pending a year of peacetime full employment, the proportion that actually prevailed in some recent year would serve as a workable point of departure. In 1941, for instance, the income from agriculture of farm operators was 6.6 percent of the national income. In 1942 and 1943 the proportion was about 8 percent. In those latter years, however, farm prices averaged considerably above present parity levels.

Which, if any, of the percentages mentioned is a "fair" share for

farmers? Ultimately, that is a question for the people, through Congress, to decide.

Since the 1940 Census figures show that about 16 percent of the Nation's families were farm operators, it may be asked why their share of the Nation's income should not have been 16 percent. On the surface, that might seem the "fairest" income proportion of all, but several considerations, which follow, indicate that this is not the case:

(1) Farm operators and members of their families receive considerable income other than their income from farming. (2) The part of their estimated income from farming represented by produce consumed by the farm family is computed at wholesale prices, whereas nonfarm families pay retail prices for the same products. (3) Less cash income is required on farms to provide equivalent levels of living than is needed in cities. (4) As previously pointed out, half of the farmers in 1940 accounted for nearly 90 percent of the total agricultural production. This means that the other half, consisting mainly of subsistence and part-time farmers, produce not much more than 10 percent of the total production. One way by which the average income of farm operators might be raised would be to help large numbers of low-income farmers to shift to better-paying nonfarm occupations.

Minimum family income.—The suggestion made earlier that the public-assistance features of the Social Security Program be liberalized and extended to more farm people is in line with the above proposal that the incomes of commercial farm operators should be supported during periods of unemployment. Income supports based on production and sales will not give adequate assistance, of course, to those farmers whose production resources are small, or to farm laborers. If adequate provisions are not made for these people through the Social Security Program, it will be necessary to develop other measures to see that their levels of living are maintained at minimum standards with respect to food, shelter, clothing, health, and education.

The difficulties of establishing such standards for different areas and sizes of families are recognized, but these difficulties are not insurmountable. At the same time it is recognized that the first attack on the problem of rural need should be the conversion approach outlined earlier, and in case of depression the second line of attack should be an attempt to find jobs and work for persons whose incomes from farming are too low to allow minimum standards to be maintained. But if these first two lines of defense fail, there is certainly as good an argument for making family income payments or giving other forms of assistance sufficient to meet such minimum standards as there is for assisting in maintaining incomes of commercial farmers and for assisting urban workers, businessmen, and financial institutions through periods of depression and unemployment.

Debt moratoria and variable payment plans.—Besides creating the need for income supports, serious unemployment would revive again all the difficulties which led to debt moratoria during the last depression. Programs of this kind would be needed again. In the discussion of the proposed conversion program it was suggested that provisions be made for varying payments of mortgage principal and interest, and perhaps for the financing of taxes as well, according to

year-to-year variations in farm income. The application of this principle could be generalized for all regions and would be especially beneficial during depressions.

SUMMARY

Now that it is again possible to concentrate national energies on problems of peace, what kind of long-range farm policy should be developed to best achieve the promise of democracy?

The farm people of the Nation want, and are entitled to, stable and adequate incomes, secure tenure, and their full share of the advantages and opportunities enjoyed by other groups in the economy. How can Government help them reach and maintain those objectives? Adequate purchasing power in the hands of consumers of this country and in the other countries that are our logical customers can create a tremendous market for food, fiber, and other products of this country's farms. Indeed, it has been estimated that under such favorable conditions the general level of farm prices in 1950 would average about parity (as now calculated) without acreage or marketing restrictions, payments, or any other Government programs. But if we should have depression at home and shrinking world commerce, farmers would face immeasurable difficulties in finding markets for their potential production even under present technology. The further improvements in technology that are to be expected would make the situation even more serious.

Thus farmers have a great stake in national full employment and business activity and in healthy and expanding international trade. Programs toward those ends are foundation stones of future farm prosperity.

Does this mean that farmers ought to rely wholly on measures to stimulate full employment and world trade—that they no longer would have need of an agricultural program as such? Most assuredly not. A comprehensive farm program will be needed even under the most favorable national and world conditions. It will be needed even more if there is delay in achieving peacetime full employment and active world commerce, or if there should be temporary relapses once those goals have been reached. Methods used in carrying out the farm program, however, should contribute to, and under no circumstances conflict with, efforts to reach or maintain national and world prosperity.

Under full employment conditions, what would a satisfactory farm program need to do? Three things stand out.

First would be the need to close the gap between the over-all farm production that could be expected with further advances in technology and the domestic and export markets that are likely in the absence of any special farm program. A major part of this gap could be closed by a full-scale program for increasing consumption of food by low-income families who could not otherwise afford adequate diets. Such action would serve the dual purpose of improving national levels of health and of supporting farm prices and incomes. The existing school-lunch program is an example of what can be done in a limited sector of the field. In addition, a more comprehensive program applicable to all low-income families would be required.

Second, there would be need for assisting farmers whose incomes would not be adequate at the probable price levels of their principal products. The expectation of a price level at or near present parity applies, as has been stated, to the general average of all farm prices. There would be several products, notably cotton, for which prices probably would be well below present parity.

In the years before the war, commodity payments and programs for supporting prices above the market were the two principal methods for dealing with such problems. Both frequently were accompanied by controls of acreage and marketing on the one hand, and by export subsidies on the other in a not-always-successful effort to avoid the piling up of unmanageable stocks. High prices and limitations on production and marketing curtail farmers' markets and run exactly counter to the national goal of full employment and full production that is so important to farmers. Also, no methods have yet been found to guard against accumulation of excess stocks that eventually would invite price collapse. Continued use of export subsidies provokes reprisals that strangle world commerce which also is an essential to farm prosperity.

There appears to be another way out of the difficulty. It is so closely bound up with the third major need that must be met by an adequate farm program that it will be discussed in connection with it.

That third need is for attacking the widespread underemployment long prevalent in agriculture. Underemployment in agriculture is generally the result of efforts to farm on holdings of inadequate size or to practice types of farming that cannot provide opportunities for efficient full employment. As long as large numbers of farm people are seriously underemployed, it will be difficult, if not impossible, to raise average farm incomes to a level comparable with those of other groups.

Both the problem of farmers who produce commodities that are in special difficulties and the problem of underemployment essentially concern the use of resources. In the first instance the obvious alternatives are shifting wholly or in part to production of other commodities that are in greater demand and lowering the production costs. In the second instance the choice is between obtaining an adequate farming base (either through adding land or livestock or making better use of present resources) or shifting the energies of some or all of the family workers to nonfarm occupations that offer more opportunity.

What has been described as a conversion program would aim at the most advantageous use of human and land resources. Its goal would be full over-all farm production, with emphasis on a production pattern that would best fit the needs of consumers in this country and our customers abroad. Consequently, such a program would help farmers shift from commodities for which production exceeded demand to those for which demand was stronger. There would be no restrictions, however, that would prevent use of land for whatever purpose it clearly was best adapted.

Major shifts in farming patterns take time. Often they are costly, both in actual cash outlay and loss of income during the conversion process. Thus a conversion program would need to provide for adequate credit, technical assistance, and payments to farmers. Temporary price-adjustment payments, on a descending scale, probably

would be needed for commodities whose market prices would be below present levels even under conditions of full employment.

The devices just mentioned would help families who needed to obtain adequate farming bases as well as those who already had sufficient land. Other provisions, such as training for nonfarm occupations and assistance in locating such employment, would be needed for the families who felt that they could find greater opportunities outside of agriculture.

Side by side with the agricultural phase of the conversion program, vigorous steps to stimulate industrial development would be needed, preferably in or near the farming areas where too many families in agriculture now are underemployed.

If such a course were followed, there still would be place for Government price supports and commodity payments under conditions of full employment. But although important, this place would be limited. It is most significant that such programs were developed for use either in the war emergency or in the years before the war, when unemployment was widespread in this country and world trade was shrinking. Is it reasonable to expect devices designed as defensive measures in a contracting economy to work equally well in an expanding national and world economy? For a few specific purposes, however, price supports and commodity payments have a definite place in an over-all farm program. The temporary commodity price-adjustment payments to facilitate a conversion program have been mentioned. Other objectives would include maintenance of an ever-normal granary and stimulation of expanded production of commodities that might be specially needed in a national nutrition program. During the transition from a war to a peace footing, price supports and commodity payments may be needed to carry out the commitments of the Steagall Amendment.

In addition to conversion efforts and the stimulation of consumption by low-income families, continuing measures for the conservation of soil, water, and forest resources are integral parts of an adequate farm program.

Specific public actions also will be needed to improve rural public facilities, such as roads, schools, hospitals, social security, and others, to the end that they may be more nearly on a par with those enjoyed by urban people. Such actions are needed regardless of the future level of business activity and employment.

What if there is unemployment? It will be necessary to provide some form of income support for farmers. The major steps needed in a full-employment situation would help to maintain farm incomes under depressed conditions. They should be continued. But further actions might be needed. Since the first move in a depression should be toward restoring full employment, commodity payments and measures to support farm prices above the market, if used extensively, would have the disadvantage of pulling in the opposite direction. As an alternative, farmers as a group could be guaranteed the same share of the national income in a depression year as they received in the most recent year of full employment, with payments to be made from the Treasury. This fund would be allocated to individual farmers on the basis of each farmer's share of the total gross product of agriculture, making the calculations with the same pattern

of prices that prevailed during the most recent year of full employment.

To insure uninterrupted progress in the conversion program through prosperity and depression, public employment should be provided when private employment opportunities are not available.

It appears possible, therefore, to develop an "all-weather" national farm program which would aim consistently at achieving or maintaining national full employment and which, with some changes in emphasis, could protect farmers during periods of unemployment at the same time it worked toward the return of prosperity.

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